

# CITY OF LONG BEACH NEW YORK

February 3, 2015





## Moody's UPGRADES Long Beach NY's GO rating to Baa2 from Baa3; **Outlook is POSITIVE** (Estimated Savings \$306,382)

Moody's Investor Services has upgraded the rating of Long Beach bonds to Baa2 from Baa3 and has issued a positive outlook for future bond upgrades. Moody's cites, "...improved financial position following the issuance of deficit reduction bonds in fiscal 2014. Additionally, Long Beach was greatly affected by Hurricane Sandy, resulting in significant damage to the city's infrastructure. The rating also factors the city's sizable tax base with above average wealth levels and a manageable debt burden."

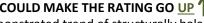
The February 3, 2015 report also reflects a positive Outlook for the City citing, "The positive outlook reflects improved fiscal controls and policies implemented by a new management team. The outlook also reflects our expectation that management will continue to build reserves over the next two years."

#### MOODY'S RATING RATIONALE (MOODY'S CITES THE FOLLOWING):

- ECONOMY AND TAX BASE; SIZABLE NASSAU COUNTY BASE BEGINNING TO STABILIZE: "Full valuation has declined by an annual average of 1.5% during the past five years, reflecting the softening of the residential real estate market but increased 8.9% from 2014 to 2015 primarily reflecting the values of recently rebuilt homes."
- FINANCIAL OPERATIONS AND RESERVES: "Over the past two years, management has implemented various cost controls, revenue enhancements and other policies which resulted in the city's second expected operating surplus in five fiscal years." "The fiscal 2014 budget was balanced without the use of reserves but did include the amortization of \$1.5 million in pension payments. The city cut expenses by \$1.7 million, reduced overtime costs by \$1.2 million and increased the property tax levy by 1.49%, within the 2.19% statewide cap."
- DEBT AND PENSIONS: DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE: "The average debt burden (1.5% of full value) is expected to remain manageable given rapid amortization."
- MANAGEMENT AND GOVERNANCE: "City management continues to budget conservatively for economically sensitive revenues and expenditures, resulting in increased financial flexibility."

#### **OUTLOOK:**

## WHAT COULD MAKE THE RATING GO UP



- Demonstrated trend of structurally balance budgets;
- Continued improvement in liquidity and reserves following the issuance of deficit reduction bonds.

## WHAT COULD MAKE THE RATING GO DOWN \



- Reduced liquidity and reserves despite the issuance of deficit reduction bonds;
- Failure to adhere to new policies and procedures;
- Failure to implement structural changes to water and sewer funds resulting in further declines.



#### CITY'S RECENT RATING HISTORY

#### Dec 20, 2011

Moody's DOWNGRADES City 5 levels to Baa3 from A1; In review for drop to junk bond status.

## March 22, 2012

Moody's continues to review rating for downgrade

### Aug 30<sup>1</sup> & Dec 3, 2013<sup>2</sup>

Moody's changes Outlook to STABLE; affirms Baa3<sup>1</sup>. Affirms Baa3; Outlook Stable<sup>2</sup>

## Feb 3, 2015

Moody's UPGRADES rating to Baa2; Outlook is POSITIVE



## Jan 1, 2012

**Current Administration** takes Office

## June 12 & Dec 17, 2012

Moody's confirms/affirms Baa3 rating; Outlook Negative. No longer under review for downgrade.

#### June 9, 2014

Moody's changes Outlook to POSITIVE: affirms Baa3

\*Additional Moody's announcements include: (i) Oct 1, 2012 COLB Increases Property Taxes, a Credit Positive, (ii) Nov 20, 2012 Hurricane Sandy adds to COLB Financial Strain, (iii) Jun 27, 2013 NY State Legislature approves Deficit Financing, Credit Positive, (iv) Feb 21, 2014 Dunes Protection Project Credit Positive for LB.